Houston Area Gained Jobs in 2014

The Houston area closed out 2014 strongly as local employers created 120,600 new jobs over the past year, a 4.2 percent increase over the previous year, according to the U.S. Bureau of Labor Statistics. That's the second largest annual employment gain and the tenth fastest pace of job growth in the past 35 years. Five supersectors accounted for two-thirds of that growth: education and health care (23,100 jobs); professional and business services (17,400); trade, transportation, and utilities (16,300); construction (14,900); and mining and logging (11,200). The industries within those sectors recording the fastest pace of job growth: construction of buildings (19.6 percent), oil field services (15.8 percent), architectural and engineering services (13.0 percent), employment services (9.5 percent) and computer systems and design (8.5 percent). Houston ranked third among U.S. metros in job creation, behind Dallas (136,900 jobs) and New York (129,000), but ahead of Los Angeles (104,100) and Miami (72,800).

But in many ways that is yesterday's news as economic observers are more nervously focused on the months ahead, waiting to see the ramifications of energy companies axing jobs and trimming hiring of college graduates. "2015 will be a year of significantly less growth," said Barton Smith, professor emeritus of economics at the University of Houston. "I will tell you there are a lot of people who are quite worried about a repeat of the early 1980s," he added, referring to the years when the local economy was in tatters because of low oil prices and excess real estate. While Smith, and others, still don't foresee a similar crash – in part because office and residential real estate isn't overbuilt as it was in the 1980s – he predicted Houston will surely lose energy jobs this year. He is still gathering data for estimates but said he believed energy-related losses will be in the neighborhood of 40,000 jobs, which includes exploration and production as well as energy-related durable goods manufacturing and wholesale trade. The picture, though, isn't all bad, as other sectors are expected to keep adding jobs to keep up with Houston's increase in population. That includes healthcare, education and retail, which have lagged and are working to catch up to local growth. Overall the area will add jobs in 2015, he said. "I don't know how much, but I can tell you it won't be 4.2 percent," Smith said. The Texas Workforce Commission said the area's unemployment rate dropped to 4.1 percent in December, down from 4.5 percent in November.

Though Houston faces challenges over the next 12-18 months, the long-term outlook for Houston is bright. In his most recent Houston analysis, economist Ray Perryman states: "While weakness in the energy sector will likely cause some notable slowing in the near future, a return to more robust growth is expected within the forecast horizon. Over the short term, output (real gross product) is projected to increase at a 4.47 percent annual rate through 2019, for a gain of almost $120.0 billion. During the same period, wage and salary employment is likely to grow by 342,310, a 2.18 percent annual pace." Perryman's forecast suggests Houston will add 60,000 to 70,000 jobs annually over the next five years. Given the challenges brought on by the recent boom, and the future uncertainty over slumping oil prices, Perryman's forecast for the next five years should be seen as an affirmation of Houston's resilience after nearly three decades of diversification.

10 BEST YEARS FOR METRO HOUSTON JOB GROWTH			
Year	Net Job Change	Year	Rate of Job Growth (%)
1981	126,900	1981	8.0
2014	120,600	1990	5.3
2012	115,400	1997	5.2
2006	106,000	1989	5.0
1997	104,800	1988	4.8
1990	91,100	2006	4.4
1998	90,200	2012	4.4
2005	89,200	1998	4.3
2007	89,100	2014	4.2
1989	81,800	2005	3.8

Forbes Fastest-Growing Cities in the U.S.

After tumbling to the No. 10 spot last year, Houston is back on top of Forbes' Fastest-Growing Cities list this year. But the Bayou City might not lead the pack for long. Houston took the No. 1 spot away from Austin, which had held the position for the past four years. Austin came in at No. 2 this year, followed by Dallas at No. 3 with Fort Worth at No 8 and San Antonio at No 10. Texas claimed half of the top 10 spots Forbes cites the boom in energy and exports in helping drive a surge of new jobs in Houston. According to Forbes, Houston's 4.5 percent year-over-year job growth rate is the fastest in the U.S. And median annual pay for college-educated workers is $71,900 – the fourth-highest among the largest 100 U.S. metro areas - thanks to major corporations headquartered here.

Oil Slump Hits Houston Hard and Fast

The spot price for West Texas Intermediate, the U.S. benchmark for light sweet crude, peaked at $107.95 a barrel on June 20, 2014. The price was $53.05 on February 3, 2015. That represents a decline of 50.8 percent. In January, crude traded as low as $44.45 a barrel. The North American rig count peaked at 1,931 the last week of September 2014. The rig count stood at 1,456 the first week of February, a 24.6 percent decline from the September peak. More than half the decline has occurred in Texas. The industry filed 6,113 U.S. onshore drilling permits in January 2014. Permits in January 2015 totaled 4,443, a decline of 27.5 percent. Analysts expect the industry to drill 10,000 fewer wells in 2015 than it did in 2014. Oil prices, the rig count and permitting will likely slip further before hitting bottom later this year or early next. The good news is the decline is hastening cuts in production, thus bringing supply and demand into balance and stabilizing the industry. It's a bit ironic that lower oil production would benefit Houston's economy.

Stories of layoffs, budget cuts and bankruptcies have appeared in local media in recent weeks, but the overall impact has been hard to measure. Construction financing has dried up, hiring freezes are in place, and service contracts have been cancelled. But the impact has yet to appear in the employment data. There are several reasons why:

- Many layoff stories to date have occurred outside of Houston. Tulsa-based Helmerich & Payne plans to lay off 2,000 employees, mostly in Oklahoma. Driller Lariat Services laid off 265 people in its Permian Basin operations. GE will lay off 330 employees in its East Texas manufacturing operations. Chaparral Energy laid off 121 employees at its Oklahoma City headquarters.
- Houston firms like ConocoPhillips, Halliburton, Weatherford and Baker Hughes have announced corporate layoffs but provided few details about how many layoffs will occur in Houston.
- Events have transpired too quickly to be captured in the employment reports. The most recent employment data available are for the second week of December. At that time, OPEC's decision not to cut production was only three weeks old. The industry was still assessing the impact of OPEC's decision when BLS prepared its December report.
- The lag between BLS data collection and data publication is typically about five weeks, but for January, it's roughly seven weeks. Layoffs in late March won't appear until April data are published in mid-May. Bottom line: The downturn's impact on Houston employment may not be apparent until late spring.

The Greater Houston Partnership's December forecast showed the energy industry losing 9,300 jobs in 2015. That outlook assumed a 25 percent cut in exploration budgets and a loss of 500 rigs. Those were reasonable assumptions at the time. In hindsight, they may be too conservative. It's too soon, however, to revise the forecast, especially since BLS actually reported job gains in energy in December. The oil and gas industry will lose jobs in 2015. That's certain. The extent of the loss, however, is unclear. The Partnership believes there's enough momentum in the economy to sustain job growth in other sectors, albeit at a much slower pace. The City of Houston issued a record $8.6 billion in construction permits in 2014, and those projects will take time to complete. The region's population continues to grow, driving demand for housing, retail services, restaurants and health care. And the U.S. economy finally seems to be out of the doldrums. As much as Houstonians hate to admit it, the metro area is still part of the U.S.

Job losses and further cutbacks in drilling cast more shadows on the oil industry though a continuing rally in crude prices led to some speculation that the market is starting to believe the spending cuts may soon reduce supplies. The rallies may be a sign that the market believes spending cuts – announced by virtually every significant oil producer in recent months – will be enough to correct the imbalance between oil supply and demand that has prompted the price slide. Friday, February 5th was the ninth consecutive week the number of rigs searching for fossil fuels in the U.S. has dropped, as a growing number of producers are working to conserve cash and save production for a time when they'll earn a larger return on their investment. The number of rigs operating in the U.S. is now at its lowest level since early 2010. Others are skeptical that oil prices have bottomed out, the recent rally notwithstanding. The perception that prices may have reached a floor stems primarily from falling rig counts. But U.S. crude inventories, which continue to build, point to oversupply. The slowdown in drilling activity has resulted in job cuts in an industry that has enjoyed a hiring bonanza in recent years. A Labor Department report indicates the U.S. lost 1,900 oil and gas extraction jobs from December to January. The oil sector's grim employment news clashed with the overall job picture in January. The economy added 257,000 non-farm jobs during that period, the government reported.

In recent years the oil and gas sector has been an engine driving the U.S. economic recovery, directly adding 59,600 jobs from January 2010 to December 2014 according to Bureau of Labor Statistics. But January's energy job decline could be just the beginning, as more companies slash budgets and shrink services contracts. Advertisements for a broad range of engineering jobs were up 9.4 percent overall in the fourth quarter of 2014, compared with a year earlier, according to EngineerJobs.com. But listings that advertised openings specifically for petroleum engineers plummeted 14.4 percent during that same time frame.

Campus Recruiting

The signs of a slowdown became increasingly clear earlier this month when oil and gas companies began cancelling reservations for booths at a career fair scheduled for February, said Jamie Belinne, assistant dean for the C.T. Bauer College of Business at the University of Houston. Other companies called to say they wouldn't be reserving spots. Some of the companies said they're taking a year off from hiring and others said they plan to hire from their pool of interns and won't interview. It's a sharp reversal from fall 2014 when all 147 booth spaces were full a month before the career fair and there was a waiting list. While exploration and production companies are scaling back, others are still hiring. Power providers are on campus in full force, along with technology, financial service, risk management and healthcare companies.

Civil Engineers Can Expect Strong Hiring in Houston Area

Houston's economy is more diverse now than ever, with companies in most every industry creating more business opportunities in and around the city than most metropolitan areas in the nation, all of which is keeping civil engineering firms growing. Civil engineering is a professional engineering discipline that deals with the design, construction and maintenance of the physical and natural environment, including work on roads, bridges, canals, dams and buildings. "In Houston, we are fortunate to not rely solely on one industry," said Doug Coenen, P.E., principal and managing director, Walter P. Moore, a civil engineering practice. For example, the health care industry, industrial market and real estate continue to grow. Walter P. Moore's staff is working on a number of public roadway projects, and major hospital and medical professional buildings in the Texas Medical Center and in the suburbs around Houston. "We are anticipating that 2015 will offer opportunities for growth. We have budgeted for a 15 percent increase in revenue for civil engineering in Houston and 24 percent companywide," Coenen said. Walter P Moore is also forecasting a growth in staff during 2015. Finding more experienced engineers has proved challenging.

U.S. Job Market Ripe for Liftoff

The best three month stretch of hiring since 1997 has positioned the U.S. labor market to start delivering stronger wage growth for a wider swath of Americans after more than five years of sluggish recovery from a deep recession. The economy created more than a million jobs over the past three months, with a steady gain of 257,000 in January and sizable upward revisions to prior months' figures. The hiring spree prompted many previously sidelined American workers to begin the job search, causing the unemployment rate to tick up a tenth of a percentage point to 5.7%. The report offered a tentative sign that U.S. workers are starting to extract higher wages from their employers. Average hourly earnings climbed 0.5% last month – up 12 cents to $24.75 – and 2.2% over the past year. The pickup, if sustained, would start to lift Americans' living standards after years of income stagnation. For the Federal Reserve, the report raised the likelihood that officials will move as early as June to raise short-term interest rates from near zero, where they have been since December 2008. The Fed has been looking for momentum in hiring and wages to signal the labor market has healed from the 2007-2009 recession and no longer needs as much of the central bank's easy-money support. January's wage gains are still weak historically, below the annual growth of 3% or more seen before the recession. And previous pickups have been followed quickly by a return to prior sluggishness, including a wage decline in December. But the latest improvement comes amid other signs of diminishing slack in the labor market. More and more workers are quitting jobs for better ones, after years in which they settled for anything they could find, forcing companies to consider boosting compensation. Further cutbacks in the energy industry are set to occur in coming months, economists said, though the sector is a relatively small slice of overall U.S. employment.

Outside of the energy sector, job growth appears to be spreading across a wide range of industries. Retailers posted the biggest gain last month, but other sectors with higher-paying jobs also ramped up hiring, including construction, manufacturing and healthcare. Despite the signs of strength, some observers remain cautious as the labor market appears to have more momentum than other areas of the economy. Consumer spending and retail sales have struggles despite low gas prices. Overall economic growth slowed to a 2.6% annual rate in the fourth quarter, about half the third quarter's 5% pace. And the labor market still has room for improvement. Unemployment remains above the 5.2% to 5.5% that the Fed considers the economy's long run average. One looming question is whether some of the millions of workers who dropped out of the labor force in recent years will return. The labor force expanded by more than 700,000 last month as the number of job seekers rose. That pushed up the nation's labor force participation rate by two-tenths of a point to 62.9%, still near a three-decade low. Participation has been falling long before the recession due largely to the aging population, but the decline accelerated in recent years as younger Americans gave up the job search.

Sources: Greater Houston Partnership; Houston Chronicle; Houston Business Journal